

February 25, 2014

Co-Chair Paul R. Doyle
Co-Chair David A. Baram
Senator Kevin D. Witkos
Representative Dan Carter

General Law Committee:

Good Afternoon, my name is Gregory Stafstrom. I am the owner and President of Spring Brook Ice & Fuel Service, New Britain, CT. Spring Brook is a 3rd generation home heating oil and comfort provider. We serve many families in the Greater New Britain area.

Spring Brook has been providing oil price protection since the late 1980's when home heating oil was 1st traded on the NYMEX market. Most of our customer's do not pre-buy oil, but rather like the assurance of a price cap price per gallon – ceiling price. Many of these customer's begin paying a monthly budget payment in July in anticipation of the expected fuel oil consumption and cost for the next winter season. The payments are spread out for 12 months ending in June following the winter. Similar to a pre-buy, our firm often is the fiduciary of many of our customer's funds and pre-payments until the majority of the oil consumption takes place in December, January, and February. This winter has realized a great demand and many person's account credit balances and budget payment plans are near depleted.

Spring Brook, and probably many other full-service companies follow the current law. Prior to the sale of a pre-buy oil contract or a price cap-ceiling price contract, Spring Brook sets-up a purchase plan with a registered trading company – Angus Energy. We then purchase either physical oil contracts from our various fuel oil wholesale vendors or paper (call) contracts through the trading company. Further, because we are capping the price of oil for the winter, and guaranteeing a lower price per gallon if the retail prices are lower. we also purchase down-side oil price contracts – puts. Our firm has followed this model ever since offering these pricing mechanisms. Often oil prices do experience great volatility. Because we coordinate the sale and the future contract purchase each year, our company eliminates any risk or exposure of having “uncovered” future fuel oil sales. Further, each vendor requires us to sign a written Forward Contract guaranteeing the purchase and supply of the product, or the trading company has a written contract. In addition, each of our customers – sales of pre-buys or price cap-ceiling price sales, also sign a written contract, as required by State statute. Finally, Connecticut General Statute 16a-23n requires an oil company to report their pre-pay, fixed/capped gallons and future contract gallons to the Department of Consumer Protection.

This pricing mechanism has worked for our firm for over 25 years. All contracts with our vendors and customer's have always been honored and fulfilled.

Today, I represent home heating oil dealers and specifically my firm in **opposition to H.B. No 5260** An Act Concerning Heating Fuel Delivery Fees to convey to you that requiring a bond is not necessary for oil dealers to be able to offer pre-buy, fixed and capped fuel oil sales. If a firm

follows the current law and business practices as outlined previously, the hedge and sale and delivery of product will all take place as planned. In many cases, consumers will save hundreds of dollars annually due to higher prices during peak winter demand like this year.

The requirement of a bond will not prevent exposure from price fluctuations. Instead the current law of requiring futures contracts or physical product is in fact the correct model. Bonding is extremely expensive and these costs will have to be passed onto consumers in higher costs per gallon. Many smaller companies, including my own firm, may not be able to pay the cost of a bond, and then not be able to offer these proven cost saving options to our loyal and dedicated customers. If the cost of a bond becomes cost prohibitive, this will create an uneven playing field and force customers to purchase from large or publicly held companies, if they want to purchase oil in advance or guarantee a price. Further, the proposed law would be unenforceable since it will require a bond for 80% of gallons sold when Department Consumer Protection doesn't have a true mechanism to know what volume of oil is sold in advance.

Please consider opposition of this bill and let the state government continue to enforce the current law as it is currently written. Finally, any oil dealer that is not complying with the current law, will probably continue to ignore any new laws and a law requiring a bond or not.

Please let companies like mine continue to follow the law and let those that don't follow the law face criminal consequences and **oppose HB 5260, AN ACT CONCERNING HEATING FUEL DELIVERY FEES, CHARGES AND SURCHARGES AND PREPAID GUARANTEED HEATING FUEL PRICE PLAN CONTRACTS.**

Thank you!

Greg Stafstrom